



STATE OF IOWA

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DEPARTMENT OF EDUCATION
JUDY A. JEFFREY, DIRECTOR

DATE: June 25, 2007
TO: Local Education Agency Superintendents
FROM: Judy A. Jeffrey, Director
SUBJECT: Announcement of Qualified Zone Academy Bond Authorization
Application 2007

The Iowa Department of Education is pleased to announce the availability of the authorization application for the Qualified Zone Academy Bonds (QZABs) authority for 2007. Iowa currently has \$9,459,000 in QZAB authority from the 2005 and the new 2006 and 2007 allocations. QZABs are an important tool that local educational agencies (LEAs) can use to provide resources for improving school facilities and instruction.

Congress adopted President Bush's proposal to extend the QZAB authority through 2007 as part of the Tax Relief and Health Care Act of 2006 (Public Law 109-432). Under the new law, issuers must reasonably expect to spend 95 percent of QZAB proceeds within five years of a sale and within six months, must expect to enter into a binding commitment with a third party to spend at least 10 percent of the proceeds. Issuers must also comply with arbitrage rebate and information reporting requirements and redeem QZABs within 90 days if the proceeds have not been spent within the five-year period.

QZABs are bonds the Federal Government subsidizes by allowing bondholders to receive tax credits that are approximately equal to the interest that States and communities would pay holders of taxable bonds. As a result, issuers are generally responsible for repayment of just the principal. QZABs were first authorized under Section 226 of the Taxpayer's Relief Act of 1997 (Section 1397E of the Internal Revenue Code).

QZABs may be used for rehabilitating or repairing the school facility in which the academy is established, providing equipment for use at such academy, developing course materials for education to be provided at such academy, and training school teachers and other school personnel in such academy, **but not for new construction**. QZABs can help schools save costs for financing allowable activities.

An eligible Qualified Zone Academy includes any public school (or academic program within a public school) that is established by and operated under the supervision of an eligible local education agency (LEA) to provide education or training below the postsecondary level if:

1. Such public school or program is designed in cooperation with business to enhance the academic curriculum, increase graduation and employment rates, and better prepare students for the rigors of college and the increasingly complex workforce.

2. Students in such public school or program will be subject to the same academic standards and assessments as other students educated by the eligible local education agency.
3. The comprehensive education plan of such public school or program is approved by the eligible local education agency.
4. There is a reasonable expectation (as of the date of issuance of the bonds) that at least 35 percent of the students attending such school or participating in such program will be eligible for free or reduced price lunches under the school lunch program established under the National School Lunch Act.
5. Within six months of bond issuance, the private business contribution requirement should be met with respect to any issue if the eligible local education agency that established the qualified zone academy has written commitments from private entities to make qualified contributions having a present value (as of the date of issuance of the issue) of not less than 10 percent of the proceeds of the issue.
6. The local education agency issuing the QZABs (the Issuer) reasonably expects at the time of issuance of the QZABs that 95% of the QZAB proceeds will be spent for qualified purposes within five years of issuance.

School districts may use the Voted School Physical Plant and Equipment Levy or the Local Option Sales and Services Tax for School Infrastructure to repay the principal. These bonds must also be counted toward the district's debt limit. Bonds from the 2005 allocation must be issued or returned before the allocation expires on December 31, 2007, for the 2006 allocation that expires on December 31, 2008, and for the 2007 allocation, which expires on December 31, 2009.

Authorizations will be made up to a cumulative maximum of \$1,000,000 per project but authorizations for multiple projects in one district may be made at the department's discretion. Authorization to participate in the QZAB program will be made upon receipt of a qualified application "first come – first served" basis. However, if additional allocations become available, priority will be given to districts that previously applied but were not completely authorized.

For additional information on QZABs, see the Frequently Asked Questions at <http://www.ed.gov/pubs/fixschools/faqs.html> .

The QZAB application may be downloaded from the Department's web page at: <http://www.iowa.gov/educate/content/view/144/333/> .

Should you have any questions about the application process, please contact Gary Schwartz, Consultant School Facilities at (515) 281-4743 or gary.schwartz@iowa.gov .